

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CHARTER TOWNSHIP OF BANGOR	County BAY
Fiscal Year End 12/31/06	Opinion Date 05/22/07	Date Audit Report Submitted to State 06/21/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

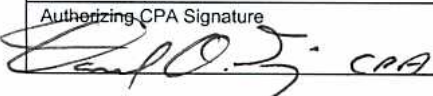
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 CORRESPONDENCE	
Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH, CPAS		Telephone Number 989-893-5577	
Street Address 1600 CENTER AVE		City BAY CITY	State MI
Zip 48707			
Authorizing CPA Signature 		Printed Name DAVID D. QUIMBY	License Number 1101015265



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# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

## CHARTER TOWNSHIP OF BANGOR BAY COUNTY, MICHIGAN

### FINANCIAL STATEMENTS DECEMBER 31, 2006

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An Independently Owned Member

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CERTIFIED PUBLIC ACCOUNTANTS  
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## INDEPENDENT AUDITORS' REPORT

May 22, 2007

Township Board  
Charter Township of Bangor  
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Bangor, Bay County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Bangor as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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## WEINLANDER FITZHUGH

Township Board  
Charter Township of Bangor  
May 22, 2007  
Page 2

The accompanying management's discussion and analysis and budgetary comparison information as noted in the index are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bangor Township's basic financial statements. The accompanying other supplemental information, as identified in the index, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Weinlander Fitzhugh*

**Charter Township of Bangor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

Our discussion and analysis of the Charter Township of Bangor's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2006.

**Financial Highlights**

State shared revenues accounted for \$1,182,844 or 47% of the Township's total general fund revenues. The General Fund reported an increase in fund balance of \$96,700.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Charter Township of Bangor financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the Government-wide financial statements for the Township's water and sewer operations. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund, Sanitary Sewer Fund, Trash Collection Fund, and the Bangor Township Relief Drain and Branches Drainage District (Required Supplemental Information)

Other Supplemental Information

Charter Township of Bangor  
Management's Discussion & Analysis  
For the Year Ended December 31, 2006

**Reporting the Township as a Whole**

*The Statement of Net Assets and Statement of Activities*

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, the Township is divided into three kinds of activities:

- Governmental Activities – Most of the Township's basic services are reported here, including the fire, trash, inspection, drains and general administration. Sales taxes (stated shared revenues), property taxes and franchise fees finance most of these activities.
- Business Type Activities – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's water and sewer systems are reported here.
- Component Units – The Township includes two separate legal entities in its report - Downtown Development Authority and Economic Development Corporation. Although legally separate, these component units are important because the Township is financially accountable for them.

**Reporting the Township's Most Significant Funds**

*Fund Financial Statements*

The Township's fund financial statements provide detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The Township's three types of funds, Governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.



Charter Township of Bangor  
Management's Discussion & Analysis  
For the Year Ended December 31, 2006

*Governmental Funds*

Most of the Township's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The Governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between Governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental funds is reconciled in the basic financial statements.

*Proprietary Funds*

These funds are reported in fund financial statements and generally report services for which the Township charges a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the Government-wide statements.

This fund presents the Township's water and sewer operations that are managed by the Bay County Department of Water and Sewer. The Township has sole authority to set rates and is financially responsible for the integrity of the system.

*Fiduciary Funds*

The Township is the trustee, or fiduciary, for tax collections and (other funds). All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

**Township-wide Financial Analysis**

**Financial position** - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of December 31, 2006 and 2005.

**Charter Township of Bangor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

<b><u>Exhibit A</u></b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Assets</b>						
Current and other assets	\$ 5,186,944	\$ 4,671,939	\$ 3,369,341	\$ 3,519,835	\$ 8,556,285	\$ 8,191,774
Capital assets - net of accumulated depreciation	1,460,356	1,504,380	12,558,713	13,021,650	14,019,069	14,526,030
Total assets	6,647,300	6,176,319	15,928,054	16,541,485	22,575,354	22,717,804
<b>Liabilities</b>						
Current liabilities	1,990,130	1,724,886	738,900	1,275,147	2,729,030	3,000,033
Long-term liabilities	0	0	698,882	1,394,283	698,882	1,394,283
Total liabilities	1,990,130	1,724,886	1,437,782	2,669,430	3,427,912	4,394,316
<b>Net Assets</b>						
Invested in property and equipment - net of related debt	1,460,356	1,504,380	11,208,237	10,902,088	12,668,593	12,406,468
Restricted	1,664,216	1,511,155	0	0	1,664,216	1,511,155
Unrestricted	1,532,598	1,435,898	3,282,035	2,969,967	4,814,633	4,405,865
Total net assets	<u>\$ 4,657,170</u>	<u>\$ 4,451,433</u>	<u>\$ 14,490,272</u>	<u>\$ 13,872,055</u>	<u>\$ 19,147,442</u>	<u>\$ 18,323,488</u>

Exhibit A focuses on net assets. The Township's total net assets were \$4,657,170 at December 31, 2006. Capital assets net of related debt, totaling \$1,460,356 compares the original costs, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net assets of \$1,664,216 are reported separately to show legal constraints that limit the Township's ability to use those net assets for day-to-day operations.

The \$4,814,633 of unrestricted net assets of Governmental and Business-Type Activities represents the *accumulated* results of all past years' operations. The operating results of the General, Special Revenue, and Enterprise Funds will have a significant impact on the change in unrestricted assets from year to year.

**Results of operations** - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended December 31, 2006. Exhibit B provides a summary of the Township's operations for 2006 and 2005.

Charter Township of Bangor  
Management's Discussion & Analysis  
For the Year Ended December 31, 2006

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
<b><u>Exhibit B</u></b>						
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 952,228	\$ 575,042	\$ 3,259,755	\$ 3,232,157	\$ 4,211,983	\$ 3,807,199
Grants and contributions	36,508	414,548	259,093	469,091	295,601	883,639
General revenue:						
Taxes	1,492,890	1,668,917	0	0	1,492,890	1,668,917
State shared revenue	1,182,844	1,204,846	0	0	1,182,844	1,204,846
Interest and investment	228,903	124,244	158,694	94,233	387,597	218,477
Other	127,186	224,299	0	0	127,186	224,299
Total revenue	<u>4,020,559</u>	<u>4,211,896</u>	<u>3,677,542</u>	<u>3,795,481</u>	<u>7,698,101</u>	<u>8,007,377</u>
<b>Function/Program Expenses</b>						
Legislative	32,034	35,377	0	0	32,034	35,377
General government	780,980	865,826	0	0	780,980	865,826
Public safety	1,458,485	1,421,177	0	0	1,458,485	1,421,177
Public works	106,331	133,827	0	0	106,331	133,827
Recreation activities	19,042	269,938	0	0	19,042	269,938
Protective inspections	196,770	186,060	0	0	196,770	186,060
Sanitation	687,930	673,813	0	0	687,930	673,813
Other	274,157	475,463	0	0	274,157	475,463
Payment to enterprise fund	259,093	260,502	0	0	259,093	260,502
Water and sewer	0	0	3,059,325	3,086,960	3,059,325	3,086,960
Total expenses	<u>3,814,822</u>	<u>4,321,983</u>	<u>3,059,325</u>	<u>3,086,960</u>	<u>6,874,147</u>	<u>7,408,943</u>
<b>Increase (Decrease)</b>						
<b>in Net Assets</b>	<u>\$ 205,737</u>	<u>\$ (110,087)</u>	<u>\$ 618,217</u>	<u>\$ 708,521</u>	<u>\$ 823,954</u>	<u>\$ 598,434</u>

**Charter Township of Bangor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

As reported in the statement of activities, the cost of all of our *Governmental and Business-Type* Activities this year was \$6,874,147. Certain activities were partially funded by \$4,211,983 from those who benefited from the programs, or by the other Townships and organizations that subsidized certain programs with grant and contributions of \$295,601. We paid for the remaining "public benefit" portion of our Governmental and Business-Type Activities with \$1,492,890 in taxes, \$1,175,124 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$823,954, mainly due to actual expenditures being less than anticipated. There were significant revenue increases in interest earnings for the year. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The governmental activities net assets experienced an increase of \$205,737 resulting from actual expenses incurred being lower than expected levels in the areas of Road Improvement, Fire Department Information Systems and Building and Grounds.

The water and sewer funds experienced an increase of \$618,217 resulting from an excess of customer charges over expenditures and an increase in interest earnings for the year. This was due to a sewer rate increase in the second quarter of 2006.

**The Township's Funds**

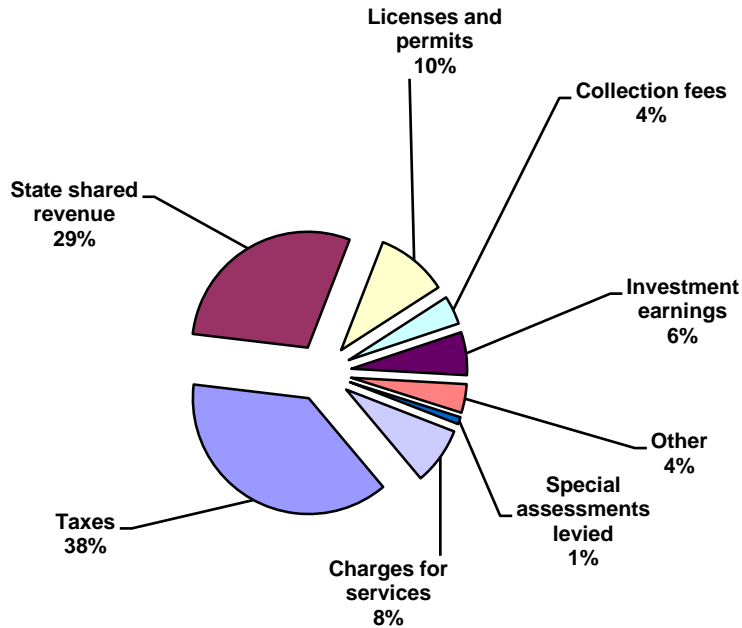
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's Governmental funds reported a combined fund balance of \$3,196,814, which is above last year's total of \$2,947,053. The schedule below details the fund balance and the total change in fund balances as of December 31, 2006.

	<u>Fund Balance</u> <u>December 31, 2006</u>	<u>Fund Balance</u> <u>December 31, 2005</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	\$ 1,532,598	\$ 1,435,898	\$ 96,700
Special revenue funds	1,664,216	1,511,155	153,061
Total	<u>\$ 3,196,814</u>	<u>\$ 2,947,053</u>	<u>\$ 249,761</u>

Charter Township of Bangor  
Management's Discussion & Analysis  
For the Year Ended December 31, 2006

The graph below details the major sources of the Township's governmental revenues.



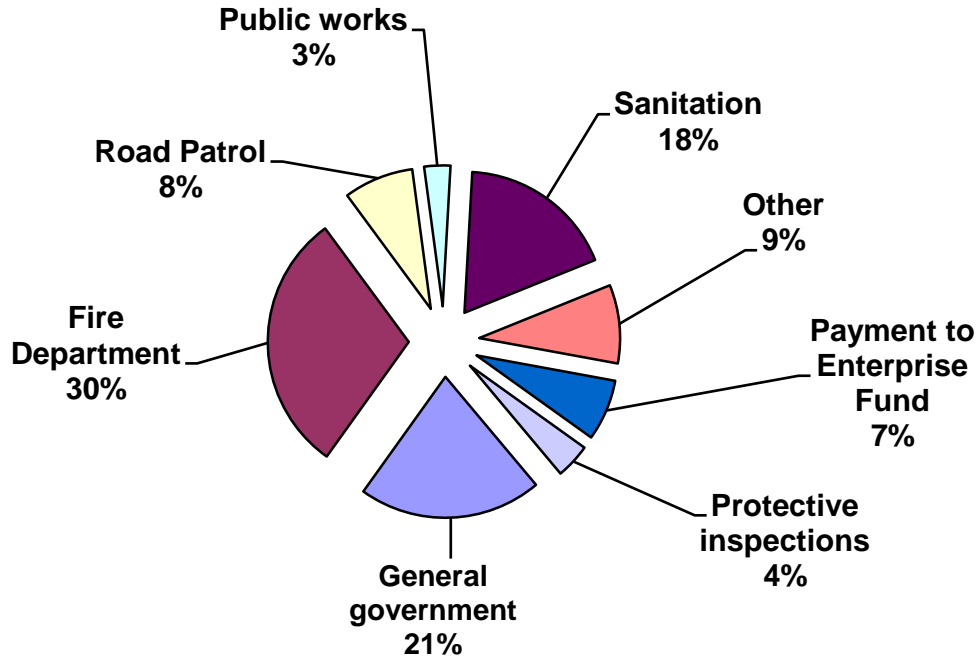
The chart below compares current year revenues with last year.

	2006	2005	Percentage Change
<i>Revenues by Function</i>			
Taxes	\$ 1,493,000	\$ 1,669,000	-11%
State shared revenue	1,183,000	1,205,000	-2%
Licenses and permits	416,000	345,000	21%
Charges for services	304,000	169,000	80%
Investment earnings	229,000	138,000	66%
Collection fees	177,000	179,000	-1%
Other	163,000	463,000	-65%
Special assessments levied	56,000	44,000	27%
Total	<u>\$ 4,021,000</u>	<u>\$ 4,212,000</u>	<u>-5%</u>

Overall, 2006 revenues are down \$191,000 or 4.5% mainly due to the decrease in grant funds that were received in 2005 for the Rail Trail project.

Charter Township of Bangor  
Management's Discussion & Analysis  
For the Year Ended December 31, 2006

The graph below details the governmental expenditure categories of the Township.



The chart below compares current year expenditures with last year.

	2006	2005	Percentage Change
<i>Expenditures by Function</i>			
Legislative	\$ 32,000	\$ 35,000	-9%
General government	801,000	809,000	-1%
Public safety:			
Fire department	1,124,000	1,077,000	4%
Road patrol	308,000	286,000	8%
Public works	106,000	134,000	-21%
Recreation activities	19,000	270,000	-93%
Protective inspections	164,000	184,000	-11%
Sanitation	683,000	669,000	2%
Other	274,000	509,000	-46%
Payment to Enterprise Fund	259,000	261,000	-1%
Total	<u>\$ 3,770,000</u>	<u>\$ 4,234,000</u>	<u>-11%</u>

**Charter Township of Bangor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

Expenditures are down \$464,000 from the prior year mostly due to no major recreation and sewer projects in 2006.

**Water and Sewer System Funds** -The Township's Proprietary funds (the Bay County DWS Bangor Water and Sewer Enterprise Funds) reported net assets of \$14,490,272, which is an increase of \$618,217 over last year's net assets of \$13,872,055. Operating revenues exceeded operating expenses for the year.

**General Fund Budgetary Highlights**

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues increased by about \$207,000 during the fiscal year. This is mainly due to the grant project for the fire department radios and reserve turn out gear.
- Budgeted expenditures increased by about \$257,000 during the fiscal year. This is mainly due to purchase of two new emergency response vehicles, grant expenditures for turn out gear and restriction of funds for road improvements.
- Actual revenues for the year were \$23,000 more than anticipated during the fiscal year. The overall change was mainly due to interest earnings for the year.
- Actual expenditures for the year were \$191,000 less than anticipated, mainly due to projects in public works that will not be completed until the 2007 fiscal year and minor road improvements.

**Charter Township of Bangor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

**Capital Assets**

At December 31, 2006, the Township had a net \$14 million invested in a broad range of capital assets, including land, buildings, equipment, transportation equipment, water and sewer systems. This amount represents a net decrease (including additions and disposals) of approximately \$459,000 from last year.

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$ 286,164	\$ 286,164	\$ 0	\$ 0	\$ 286,164	\$ 286,164
Buildings and improvements	1,441,531	1,441,531	0	0	1,441,531	1,441,531
Equipment	541,477	536,487	0	0	541,477	536,487
Transportation equipment	1,059,474	1,081,905	0	0	1,059,474	1,081,905
Water system	0	0	5,653,035	5,652,693	5,653,035	5,652,693
Sewer System	0	0	18,025,197	18,005,007	18,025,197	18,005,007
 Total capital assets	 3,328,646	 3,346,087	 23,678,232	 23,657,700	 27,006,878	 27,003,787
 Less accumulated depreciation	 1,868,290	 1,841,707	 11,119,519	 10,636,050	 12,987,809	 12,477,757
 Net capital assets	 <u>\$ 1,460,356</u>	 <u>\$ 1,504,380</u>	 <u>\$ 12,558,713</u>	 <u>\$ 13,021,650</u>	 <u>\$ 14,019,069</u>	 <u>\$ 14,526,030</u>

This year's additions for Governmental Activities of \$89,000 included equipment and transportation equipment. No debt was issued for this equipment.

There were no significant additions for the Business-Type Activities during the year.

We present more detailed information about our Governmental Activities capital assets in the notes to the financial statements. We anticipate capital additions next year will be as follows:

BS&A Software for financial reporting and tax collections. This is a three-year agreement for a project total of \$59,500.  
Replacement of daily back-up solutions.

Capital additions to our Business-Type Activities for next year have not been determined.



**Charter Township of Bangor**  
**Management's Discussion & Analysis**  
**For the Year Ended December 31, 2006**

**Debt**

At the end of this year, the Township had \$1.3 million in long-term debt outstanding versus \$2.1 million in the previous year. All of the Township's debt is related to water system improvements and is reported in the proprietary fund as the Bay County Department of Water and Sewer Bangor Enterprise Fund. This debt is summarized as follows:

	<u>2006</u>	<u>2005</u>
Revenue bonds	\$ 57,371	\$ 179,353
Special assessment bonds	1,281,184	1,921,776
	<u>\$ 1,338,555</u>	<u>\$ 2,101,129</u>

**Factors Expected to Have an Effect on Future Operations**

We expect again to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. As in prior years, the Township has faced a continued increase in the cost for health care benefits and property insurance premiums.

The Township will need to seek an increase in revenue and continue to adjust its expenditures. To assist with the balancing of the 2007 budget, the Township plans on making staff changes to the Administration office with the layoff of a part-time position and reducing levels in the contracted Sheriff Patrol

The Township residents may be asked to support an operational millage to balance the revenue shortfalls.

**Contacting The Township's Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's Office at 180 State Park Drive, Bay City, MI 48706-1763.

Charter Township of Bangor  
Statement of Net Assets  
December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<u>Assets</u>				
Cash and investments	\$ 3,255,155	\$ 3,188,065	\$ 6,443,220	\$ 422,054
Receivables:				
Accounts receivable	0	134,230	134,230	0
Accrued interest receivable	0	27,158	27,158	0
Taxes receivable	1,515,777	0	1,515,777	170,546
Due from fiduciary funds	415,382	0	415,382	135,788
Prepaid expenses	630	19,888	20,518	0
Capital assets less accumulated depreciation	1,460,356	12,558,713	14,019,069	13,333
Total assets	6,647,300	15,928,054	22,575,354	741,721
<u>Current Liabilities</u>				
Accounts payable	130,440	16,732	147,172	37,610
Accrued payroll	0	1,998	1,998	0
Accrued interest payable	0	11,921	11,921	0
Deferred revenue	1,859,265	0	1,859,265	306,334
Hall security deposit	425	0	425	0
Compensated absences	0	10,286	10,286	0
Bonds payable	0	697,963	697,963	0
Total current liabilities	1,990,130	738,900	2,729,030	343,944
<u>Long-term liabilities</u>				
Compensated absences	0	58,290	58,290	0
Bonds payable	0	640,592	640,592	0
Total long-term liabilities	0	698,882	698,882	0
Total liabilities	1,990,130	1,437,782	3,427,912	343,944
<u>Net Assets</u>				
Investment in capital assets - net of related debt	1,460,356	11,208,237	12,668,593	13,333
Restricted	1,664,216	0	1,664,216	0
Unrestricted	1,532,598	3,282,035	4,814,633	384,444
Total net assets	\$ 4,657,170	\$ 14,490,272	\$ 19,147,442	\$ 397,777

See accompanying notes to financial statements.

Charter Township of Bangor  
Statement of Activities  
For the Year Ended December 31, 2006

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital Grants/Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government:							
Legislative	\$ 32,034	\$ 0	\$ 0	\$ (32,034)	\$ 0	\$ (32,034)	\$ 0
General government	780,980	460,673	0	(320,307)	0	(320,307)	0
Public safety	1,458,485	0	36,508	(1,421,977)	0	(1,421,977)	0
Public works	106,331	0	0	(106,331)	0	(106,331)	0
Recreation activities	19,042	0	0	(19,042)	0	(19,042)	0
Protective inspections	196,770	260,303	0	63,533	0	63,533	0
Sanitation	687,930	1,415	0	(686,515)	0	(686,515)	0
Other	274,157	0	0	(274,157)	0	(274,157)	0
Payment to enterprise fund	259,093	229,837	0	(29,256)	0	(29,256)	0
Total governmental activities	3,814,822	952,228	36,508	(2,826,086)	0	(2,826,086)	0
Business-type activities:							
Water	1,323,462	1,556,197	0	0	232,735	232,735	0
Sewer	1,735,863	1,703,558	259,093	0	226,788	226,788	0
Total business-type activities	3,059,325	3,259,755	259,093	0	459,523	459,523	0
Total primary government	\$6,874,147	\$4,211,983	\$ 295,601	(2,826,086)	459,523	(2,366,563)	0
Component Units:							
Downtown Development Authority	75,150	0	0	0	0	0	(75,150)
Economic Development Corporation	0	0	0	0	0	0	0
Total component units	\$ 75,150	\$ 0	\$ 0	0	0	0	(75,150)
General Revenues:							
Taxes				1,492,890	0	1,492,890	384,059
State shared revenue				1,182,844	0	1,182,844	0
Interest and investment earnings				228,903	158,694	387,597	23,009
Other				127,186	0	127,186	0
Total general revenues				3,031,823	158,694	3,190,517	407,068
Change in net assets				205,737	618,217	823,954	331,918
Net assets - beginning of year as previously reported				4,403,926	13,872,055	18,275,981	65,859
Prior period adjustment				47,507	0	47,507	0
Net assets - beginning of year as restated				4,451,433	13,872,055	18,323,488	65,859
Net assets - end of year				\$ 4,657,170	\$ 14,490,272	\$ 19,147,442	\$ 397,777

See accompanying notes to financial statements.

Charter Township of Bangor  
Governmental Funds  
Balance Sheet  
December 31, 2006

	General	Sanitary Sewer	Trash Collection	Bangor Township Relief Drain and Branches Drainage District	Other Nonmajor Governmental Funds	Total
<u>ASSETS</u>						
Cash and investments	\$ 1,529,817	\$ 1,090,919	\$ 168,364	\$ 83,917	\$ 382,138	\$ 3,255,155
Receivables:						
Taxes receivable	788,560	7,797	528,994	190,426	0	1,515,777
Due from fiduciary funds	187,211	3,498	174,487	50,186	0	415,382
Due from governmental funds	880	0	0	0	0	880
Prepaid expenditures	630	0	0	0	0	630
Total assets	<u>\$ 2,507,098</u>	<u>\$ 1,102,214</u>	<u>\$ 871,845</u>	<u>\$ 324,529</u>	<u>\$ 382,138</u>	<u>\$ 5,187,824</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>Liabilities</u>						
Accounts payable	\$ 70,198	\$ 200	\$ 57,250	\$ 0	\$ 2,792	\$ 130,440
Due to governmental funds	0	0	0	0	880	880
Deferred revenue	903,877	11,295	703,481	240,612	0	1,859,265
Hall security deposits	425	0	0	0	0	425
Total liabilities	<u>974,500</u>	<u>11,495</u>	<u>760,731</u>	<u>240,612</u>	<u>3,672</u>	<u>1,991,010</u>
<u>Fund Balance</u>						
Reserved	0	1,090,719	111,114	83,917	378,466	1,664,216
Unreserved:						
Designated	337,163	0	0	0	0	337,163
Undesignated	1,195,435	0	0	0	0	1,195,435
Total fund balance	<u>1,532,598</u>	<u>1,090,719</u>	<u>111,114</u>	<u>83,917</u>	<u>378,466</u>	<u>3,196,814</u>
Total liabilities and fund balance	<u>\$ 2,507,098</u>	<u>\$ 1,102,214</u>	<u>\$ 871,845</u>	<u>\$ 324,529</u>	<u>\$ 382,138</u>	<u>\$ 5,187,824</u>

See accompanying notes to financial statements.

Charter Township of Bangor  
Reconciliation of Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
December 31, 2006

Total fund balance - governmental funds	\$ 3,196,814
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of the capital assets	3,328,646
Accumulated depreciation	<u>(1,868,290)</u>
Total net assets - governmental activities	<u><u>\$ 4,657,170</u></u>

See accompanying notes to financial statements.

Charter Township of Bangor  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2006

	General	Sanitary Sewer	Trash Collection	Bangor Township Relief Drain and Branches Drainage District	Other Nonmajor Governmental Funds	Total
<u>Revenues</u>						
Taxes	\$ 586,322	\$ 11,159	\$ 682,911	\$ 0	\$ 212,498	\$ 1,492,890
Collection fees	176,622	0	0	0	0	176,622
State shared revenue	1,182,844	0	0	0	0	1,182,844
Special assessments levied	55,616	0	0	0	0	55,616
Charges for services	72,335	229,837	1,415	0	0	303,587
Interest	145,398	51,197	11,705	6,992	13,611	228,903
Licenses and permits	156,100	0	0	0	260,303	416,403
Grants	36,508	0	0	0	0	36,508
Other	126,906	0	0	0	280	127,186
Total revenues	<u>2,538,651</u>	<u>292,193</u>	<u>696,031</u>	<u>6,992</u>	<u>486,692</u>	<u>4,020,559</u>
<u>Expenditures</u>						
Legislative	32,034	0	0	0	0	32,034
General government	801,183	0	0	0	0	801,183
Public safety	1,431,741	0	0	0	0	1,431,741
Public works	106,331	0	0	0	0	106,331
Recreation activities	19,042	0	0	0	0	19,042
Protective inspections	0	0	0	0	163,884	163,884
Sanitation	0	0	683,333	0	0	683,333
Other	51,620	4,083	0	579	217,875	274,157
Payment to Enterprise Fund for debt service	<u>0</u>	<u>259,093</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>259,093</u>
Total expenditures	<u>2,441,951</u>	<u>263,176</u>	<u>683,333</u>	<u>579</u>	<u>381,759</u>	<u>3,770,798</u>
Excess of revenues over expenditures	96,700	29,017	12,698	6,413	104,933	249,761
Fund balance - beginning of year	<u>1,435,898</u>	<u>1,061,702</u>	<u>98,416</u>	<u>77,504</u>	<u>273,533</u>	<u>2,947,053</u>
Fund balance - end of year	<u>\$ 1,532,598</u>	<u>\$ 1,090,719</u>	<u>\$ 111,114</u>	<u>\$ 83,917</u>	<u>\$ 378,466</u>	<u>\$ 3,196,814</u>

See accompanying notes to financial statements.

Charter Township of Bangor  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2006

Net change in fund balance - total governmental funds	\$ 249,761
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Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures; in the  
statement of activities, these costs are allocated over their  
estimated useful lives as depreciation:

Depreciation expense	(132,570)	
Capital outlay	<u>88,546</u>	<u>(44,024)</u>

Change in net assets of governmental activities	<u><u>\$ 205,737</u></u>
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See accompanying notes to financial statements.

Charter Township of Bangor  
Proprietary Funds  
Statement of Net Assets  
December 31, 2006

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 2,195,789	\$ 992,276	\$ 3,188,065
Accounts receivables - net	19,185	115,045	134,230
Interest receivable	18,056	9,102	27,158
Prepaid expenses	11,611	8,277	19,888
Total current assets	<u>2,244,641</u>	<u>1,124,700</u>	<u>3,369,341</u>
Capital assets - at cost	5,653,035	18,025,197	23,678,232
Less allowance for depreciation	<u>(2,518,069)</u>	<u>(8,601,450)</u>	<u>(11,119,519)</u>
Net capital assets	<u>3,134,966</u>	<u>9,423,747</u>	<u>12,558,713</u>
Total assets	<u>5,379,607</u>	<u>10,548,447</u>	<u>15,928,054</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	9,181	7,551	16,732
Accrued payroll	1,454	544	1,998
Accrued interest payable	338	11,583	11,921
Compensated absences	10,286	0	10,286
Bonds payable	57,371	640,592	697,963
Total current liabilities	<u>78,630</u>	<u>660,270</u>	<u>738,900</u>
Long-term Liabilities:			
Compensated absences	58,290	0	58,290
Bonds payable	<u>0</u>	<u>640,592</u>	<u>640,592</u>
Total long-term liabilities	<u>58,290</u>	<u>640,592</u>	<u>698,882</u>
Total liabilities	<u>136,920</u>	<u>1,300,862</u>	<u>1,437,782</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	3,077,257	8,130,980	11,208,237
Unrestricted	<u>2,165,430</u>	<u>1,116,605</u>	<u>3,282,035</u>
Total net assets	<u>\$ 5,242,687</u>	<u>\$ 9,247,585</u>	<u>\$14,490,272</u>

See accompanying notes to financial statements



Charter Township of Bangor  
Proprietary Fund  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the Year Ended December 31, 2006

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Gross service charges	\$ 1,486,882	\$ 1,617,853	\$ 3,104,735
Water costs	786,542	0	786,542
Gross profit	700,340	1,617,853	2,318,193
Operating revenues:			
Service connections	68,195	0	68,195
Charges, fees, etc.	1,120	85,705	86,825
Total operating revenues	69,315	85,705	155,020
Operating expenses:			
Personal services	242,104	134,444	376,548
Utilities	4,972	8,243	13,215
Regional charges	0	1,073,518	1,073,518
Operation and maintenance	81,681	25,810	107,491
Administration	50,766	42,197	92,963
Fiscal and other charges	32,041	4,948	36,989
Depreciation	119,055	364,414	483,469
Total operating expenses	530,619	1,653,574	2,184,193
Operating income	239,036	49,984	289,020
Nonoperating revenues (expenses):			
Interest income	105,691	53,003	158,694
Interest expense	(6,301)	(82,289)	(88,590)
Payment by local unit	0	259,093	259,093
Change in net assets	338,426	279,791	618,217
Net assets - beginning of year	4,904,261	8,967,794	13,872,055
Net assets - end of year	<u>\$ 5,242,687</u>	<u>\$ 9,247,585</u>	<u>\$ 14,490,272</u>

See accompanying notes to financial statements

Charter Township of Bangor  
Proprietary Fund  
Statement of Cash Flows  
For the Year Ended December 31, 2006

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,492,210	\$ 1,610,866	\$3,103,076
Cash payments to suppliers for goods and services	(1,427,040)	(1,165,471)	(2,592,511)
Cash payments to employees for services	(238,233)	(134,448)	(372,681)
Other operating income	132,250	85,705	217,955
Net cash provided (used) by operating activities	(40,813)	396,652	355,839
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(121,982)	(640,592)	(762,574)
Interest paid on long-term debt	(7,021)	(88,081)	(95,102)
Payments from local units	0	259,093	259,093
Acquisition and construction of capital assets	(342)	(20,190)	(20,532)
Net cash (used) by capital and related financing activities	(129,345)	(489,770)	(619,115)
Cash flows from investing activities:			
Interest and investment earnings	97,949	50,012	147,961
Net (decrease) in cash and cash equivalents	(72,209)	(43,106)	(115,315)
Cash and cash equivalents, beginning of year	2,267,998	1,035,382	3,303,380
Cash and cash equivalents, end of year	\$ 2,195,789	\$ 992,276	\$3,188,065

See accompanying notes to financial statements

Charter Township of Bangor  
Statement of Fiduciary Net Assets  
December 31, 2006

	Treasurer's Trust and Agency	Current Tax Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>ASSETS</u>			
Cash and investments	\$ 27,020	\$1,139,688	\$ 1,166,708
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>LIABILITIES</u>			
Due to governmental funds	\$ 582	\$ 414,800	\$ 415,382
Due to component units	0	135,788	135,788
Undistributed current taxes	26,438	589,100	615,538
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	\$ 27,020	\$1,139,688	\$ 1,166,708
	<u>                    </u>	<u>                    </u>	<u>                    </u>

See accompanying notes to financial statements.

Charter Township of Bangor  
 Component Units  
 Statement of Net Assets  
December 31, 2006

	<u>Downtown Development Authority</u>	<u>Economic Development Corporation</u>	<u>Total Component Units</u>
<u>Assets</u>			
Cash and investments	\$ 413,091	\$ 8,963	\$ 422,054
Taxes receivable	170,546	0	170,546
Due from fiduciary funds	135,788	0	135,788
Capital assets - net	<u>13,333</u>	<u>0</u>	<u>13,333</u>
Total assets	<u>732,758</u>	<u>8,963</u>	<u>741,721</u>
 <u>Liabilities</u>			
Accounts payable	37,610	0	37,610
Deferred revenue	<u>306,334</u>	<u>0</u>	<u>306,334</u>
Total liabilities	<u>343,944</u>	<u>0</u>	<u>343,944</u>
 <u>Net Assets</u>			
Investment in capital assets - net of related debt	13,333	0	13,333
Unrestricted	<u>375,481</u>	<u>8,963</u>	<u>384,444</u>
Total net assets	<u><u>\$ 388,814</u></u>	<u><u>\$ 8,963</u></u>	<u><u>\$ 397,777</u></u>

See accompanying notes to financial statements

Charter Township of Bangor  
Component Units  
Statement of Activities  
For the Year Ended December 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Downtown Development Authority</u>	<u>Economic Development Corporation</u>	<u>Total</u>
Downtown Development Authority							
General government	\$ 19,982	\$ 0	\$ 0	\$ 0	\$ (19,982)	\$ 0	\$ (19,982)
Public works	45,423	0	0	0	(45,423)	0	(45,423)
Interest on long-term debt	9,745	0	0	0	(9,745)	0	(9,745)
	<u>75,150</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(75,150)</u>	<u>0</u>	<u>(75,150)</u>
Economic Development Corporation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total component units	<u>\$ 75,150</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(75,150)</u>	<u>0</u>	<u>(75,150)</u>
General Revenues:							
Taxes					384,059	0	384,059
Interest and investment earnings					22,655	354	23,009
Total general revenues					<u>406,714</u>	<u>354</u>	<u>407,068</u>
Change in net assets					331,564	354	331,918
Net assets - beginning of year					<u>57,250</u>	<u>8,609</u>	<u>65,859</u>
Net assets - end of year					<u>\$ 388,814</u>	<u>\$ 8,963</u>	<u>\$ 397,777</u>

See accompanying notes to financial statements

Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Charter Township of Bangor conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Bangor:

**Reporting Entity**

The Charter Township of Bangor was organized under the Charter Township Act of 1947 and covers an area of approximately 15.3 square miles. The Township operates under an elected board (seven members) and provides services to its more than 15,500 residents in many areas including fire protection, highways and streets. The reporting entity for the Township is based on criteria set forth by statements issued by the Governmental Accounting Standards Board. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

Discretely Presented Component Units - The component unit column in the basic financial statements, which represents the financial data of the Charter Township of Bangor Downtown Development Authority and the Economic Development Corporation of the Charter Township of Bangor, is reported in a separate column to emphasize that it is legally separate from the Township. The governing body of the Downtown Development Authority consists of the Chief Executive Officer of the Charter Township of Bangor and eight (8) members as provided by Act 197. The Authority was established to correct and prevent urban deterioration and encourage economic development. The governing body of the Economic Development Corporation consists of nine members appointed by the Township Board of Trustees and two additional members appointed by the Economic Development Corporation members as provided by Act 338. The Economic Development Corporation was established as a means and method for the encouragement and assistance of industrial and commercial enterprises in locating and expanding in the Township and to more conveniently provide needed services and facilities of such enterprises to the Township and its residents.

These statements also include the water and sewer systems managed by the Bay County Department of Water and Sewer on behalf of the Township. GASB #34 now requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations for the systems for the calendar year 2006. These funds are the Township's only proprietary funds.

Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, state shared revenues, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

The Government reports the following major funds:

**General Fund** - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

**Sanitary Sewer Fund** – The Sanitary Sewer Fund is used to record transactions relative to the operation of the sewer system in the Township.

**Trash Collection Fund** – The Trash Collection Fund is used to record transactions for the collection of trash in the Township.

**Bangor Township Relief Drain and Branches Drain District Fund** – This Fund is used to record transactions for the collection of drain taxes in the Township.

**Bay County Department of Water and Sewer Enterprise Funds** – These funds account for the activities of providing water and sewer services to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township. These funds are the Township's only proprietary funds.

**Assets, Liabilities, and Net Assets or Equity**

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.



Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	39 Years
Building and land improvements	7 to 20 Years
Water and sewer lines	40 to 50 Years
Equipment	7 to 20 Years
Transportation equipment	5 to 15 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Equity/Net Assets – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, governmental activities report restrictions of net assets for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 – BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

The Charter Township of Bangor follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to October 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund, Sanitary Sewer Fund, Trash Collection Fund and Bangor Township Relief Drain and Branches Drainage District Fund is presented as Required Supplemental Information.

Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Government is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Government's deposits are in accordance with statutory authority.

At year-end, the Government's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Units</u>
Cash and investments	\$ 3,255,155	\$ 3,188,065	\$ 1,166,708	\$7,609,928	\$ 422,054
Total	<u>\$ 3,255,155</u>	<u>\$ 3,188,065</u>	<u>\$ 1,166,708</u>	<u>\$7,609,928</u>	<u>\$ 422,054</u>

The breakdown between deposits and investments is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 4,390,846
Deposits and investments held at the Department of Water and Sewer	3,188,065
Investments (money market mutual funds)	29,917
Petty cash and cash on hand	<u>1,100</u>
Total	<u>\$ 7,609,928</u>

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2006, \$3,977,337 of the Township's bank balance of \$4,577,337 was exposed to custodial credit risk because it was uninsured and uncollateralized. At December 31, 2006, \$400,685 of the component unit's bank balance of \$422,054 was exposed to custodial credit risk. Business-type activity funds of \$3,188,065 are with the Department of Water and Sewer. The composition of deposits and investments and the amount of deposits covered by federal depository insurance cannot be determined.

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.

Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity of the Township for the current year was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 286,164	\$ 0	\$ 0	\$ 286,164
Capital assets being depreciated:				
Buildings and improvements	1,441,531	0	0	1,441,531
Equipment	536,487	53,075	48,085	541,477
Transportation equipment	1,081,905	35,471	57,902	1,059,474
Subtotal	<u>3,059,923</u>	<u>88,546</u>	<u>105,987</u>	<u>3,042,482</u>
Less accumulated depreciation for:				
Buildings and improvements	714,350	39,358	0	753,708
Equipment	342,853	53,349	48,085	348,117
Transportation equipment	784,504	39,863	57,902	766,465
Subtotal	<u>1,841,707</u>	<u>132,570</u>	<u>105,987</u>	<u>1,868,290</u>
Net capital assets being depreciated	<u>1,218,216</u>	<u>(44,024)</u>	<u>0</u>	<u>1,174,192</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 1,504,380</u>	<u>\$ (44,024)</u>	<u>\$ 0</u>	<u>\$ 1,460,356</u>
<b><u>Business-type activities:</u></b>				
Capital assets being depreciated:				
Water system	\$ 5,652,693	\$ 342	\$ 0	\$ 5,653,035
Sewer system	18,005,007	20,190	0	18,025,197
Subtotal	<u>23,657,700</u>	<u>20,532</u>	<u>0</u>	<u>23,678,232</u>
Less accumulated depreciation for:				
Water system	2,399,014	119,055	0	2,518,069
Sewer system	8,237,036	364,414	0	8,601,450
Subtotal	<u>10,636,050</u>	<u>483,469</u>	<u>0</u>	<u>11,119,519</u>
Business-type activities, total capital assets, net of depreciation	<u>\$ 13,021,650</u>	<u>\$ (462,937)</u>	<u>\$ 0</u>	<u>\$ 12,558,713</u>

Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<b><u>Component unit activities:</u></b>				
Capital assets being depreciated:				
Equipment	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Less accumulated depreciation for:				
Equipment	<u>31,667</u>	<u>5,000</u>	<u>0</u>	<u>36,667</u>
Component unit activities, total capital assets, net of depreciation	<u>\$ 18,333</u>	<u>\$ (5,000)</u>	<u>\$ 0</u>	<u>\$ 13,333</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 32,872
Public safety	62,215
Sanitation	4,597
Protective inspections	<u>32,886</u>
Total governmental activities depreciation expense	<u>\$ 132,570</u>
Business-type activities:	
Water	\$ 119,055
Sewer	<u>364,414</u>
Total business-type activities depreciation expense	<u>\$ 483,469</u>
Component unit activities:	
Downtown Development Authority	<u>\$ 5,000</u>

Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

A summary of inter-fund receivable and payable balances at December 31, 2006 and transfers made during the year ended December 31, 2006 is as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 188,091	\$ 0	\$ 0	\$ 0
Trash Collection	174,487	0	0	0
Sanitary Sewer	3,498	0	0	0
Inspection	0	880	0	0
Drain Relief Operating and Branches Drainage District	50,186	0	0	0
Downtown Development Authority	135,788	0	0	0
Current Tax	<u>0</u>	<u>551,170</u>	<u>0</u>	<u>0</u>
	<u>\$ 552,050</u>	<u>\$ 552,050</u>	<u>\$ 0</u>	<u>\$ 0</u>

These interfund receivable and payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

There were no interfund transfers made during the year.

Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 6 - LONG-TERM DEBT**

The Township's debt is related to water and sewer system improvements and is reported in the proprietary funds as the Bay County Department of Water and Sewer Bangor Enterprise Funds. The following detail shows what is owed by the Township.

Long-term debt obligation activity can be summarized as follows:

	Balance January 1, 2006	Additions	Retirements and Payments	Balance December 31, 2006	Amount Due Within One Year
Bonds	\$2,639,254	\$ 0	\$ 1,300,699	\$1,338,555	\$ 697,963
			<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
<u>Primary Government</u>					
1997 Bangor Township Water Extension Note, due in annual installments through 2007 with an interest rate of 5.25%			\$ 179,353	\$ (121,982)	\$ 57,371
Bay County West Side Regional Sewage Disposal General Obligation Bonds, dated July 1, 1978, due in annual installments through May 1, 2008, bearing interest rates of 5.5% to 6.5%.			<u>1,921,776</u>	<u>(640,592)</u>	<u>1,281,184</u>
			2,101,129	(762,574)	1,338,555
<u>Component Unit</u>					
Michigan Municipal Bond Authority Local Government Loan Program Revenue bonds Series 1997B, dated August 13, 1997, due in annual installments through 2017, bearing interest rates of 4.55% to 8.0%.			<u>538,125</u>	<u>(538,125)</u>	<u>0</u>
			<u>\$ 2,639,254</u>	<u>\$ (1,300,699)</u>	<u>\$ 1,338,555</u>

Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 697,963	\$ 54,111
2008	640,592	17,616
Total	<u>\$ 1,338,555</u>	<u>\$ 71,727</u>

**NOTE 7 - PENSION PLAN**

The Township has established The Charter Township of Bangor Group Pension Plan, a defined contribution, contributory retirement plan that covers substantially all employees of the Township. The plan requires a mandatory employee contribution of 5% of base pay and allows an additional participant contribution of up to 10% of base pay. The employer's contribution to the plan is 10% of base pay. The employer's pension expense for the year ended December 31, 2006 was \$104,486.



Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 8 - COMPENSATED ABSENCES PAYABLE**

Under the negotiated fire-fighters union contract, fire-fighters have the use of an unlimited number of sick days until such a time (six months) that they qualify for long-term disability insurance. The Township has a short-term disability insurance policy, which covers a portion of the employee's compensation for illnesses that exceed seven days until they qualify for the long-term disability. Therefore, there are no compensated absences related to sick pay payable at December 31, 2006.

Under the negotiated clerical workers contract, those covered receive five days of compensated sick days per year. For illnesses that exceed seven days, short-term disability becomes effective through the first six months. Beyond six months, long-term disability becomes effective. Therefore at December 31, 2006, there are no compensated absences payable.

The Department of Water and Sewer has an employee benefit plan that allows employees to accumulate unused sick days up to a maximum of 120 days. Union employees may either use these sick days when ill or receive payment for 70% of the unused portion at time of retirement. All other employees receive 85% of the unused portion at time employment is terminated. Employees are also allowed to accumulate unused vacation days. Employees can accumulate a maximum of 30 days to carry over at the end of the year. In addition, the DWS provides a longevity payment to all supervisory and administrative employees at time of retirement. The benefit is based on years of employment times one-third of monthly salary, with a maximum payment of six months of salary. The cost of this benefit is recognized when earned. The total liability for compensated absences was \$68,576.

**NOTE 9 - FUND BALANCES – DESIGNATED**

The following is activity related to designated fund balances:

	Balance January 1, 2006	Additional Designations	Usage of Designations	Balance December 31, 2006
Fire Department	\$ 121,097	\$ 0	\$ 5,400	\$ 115,697
Acquisition of data equipment	19,700	0	0	19,700
Road improvement	22,419	0	18,001	4,418
Township vehicle replacement	14,000	0	0	14,000
Building and grounds improvement	6,495	0	0	6,495
Drain project	43,324	0	0	43,324
Sidewalks	40,073	0	0	40,073
Encumbrances	93,201	93,456	93,201	93,456
	<u>\$ 360,309</u>	<u>\$ 93,456</u>	<u>\$ 116,602</u>	<u>\$ 337,163</u>

Charter Township of Bangor  
Notes to Financial Statements  
For the Year Ended December 31, 2006

**NOTE 10 - RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating income	\$ 239,036	\$ 49,984	\$ 289,020
Adjustment to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	119,055	364,414	483,469
Changes in assets and liabilities			
Accounts receivable	5,328	(6,987)	(1,659)
Due from other governments	62,935	0	62,935
Prepaid expenses	(9,126)	(6,238)	(15,364)
Accounts payable	(461,912)	(4,517)	(466,429)
Accrued payroll	376	(4)	372
Compensated absences	3,495	0	3,495
Net cash provided (used) by operating activities	<u>\$ (40,813)</u>	<u>\$ 396,652</u>	<u>\$ 355,839</u>

**NOTE 11 – DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, property tax revenues received or accrued prior to meeting all eligibility requirements and other governmental revenues amounted to \$1,859,265.

**NOTE 12 – PRIOR PERIOD ADJUSTMENT**

The net assets of the governmental activities were corrected for an error in recording capital assets. Election equipment should have been included as an addition to capital assets in 2005 in the amount of \$47,507.

Charter Township of Bangor  
 Required Supplemental Information  
 Budgetary Comparison Schedule - General Fund  
For the Year Ended December 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 599,400	\$ 592,902	\$ 586,322	\$ (6,580)
Collection fees	175,834	186,988	176,622	(10,366)
State shared revenue	1,171,854	1,182,844	1,182,844	0
Special assessments levied	60,520	60,520	55,616	(4,904)
Interest and rental	73,398	115,588	145,398	29,810
Licenses and permits	151,000	156,104	156,100	(4)
Charges for services	65,420	75,562	72,335	(3,227)
Grant	0	51,506	36,508	(14,998)
Other	10,693	93,741	126,906	33,165
Total revenues	<u>2,308,119</u>	<u>2,515,755</u>	<u>2,538,651</u>	<u>22,896</u>
<u>Expenditures</u>				
Legislative	33,776	35,372	32,034	3,338
General government	774,350	808,019	801,183	6,836
Public safety	1,361,163	1,464,290	1,431,741	32,549
Public works	144,020	205,578	106,331	99,247
Recreation activities	10,000	22,209	19,042	3,167
Other	52,000	97,463	51,620	45,843
Total expenditures	<u>2,375,309</u>	<u>2,632,931</u>	<u>2,441,951</u>	<u>190,980</u>
Excess (deficiency) of revenues over expenditures	(67,190)	(117,176)	96,700	213,876
Fund balance - beginning of year	<u>1,435,898</u>	<u>1,435,898</u>	<u>1,435,898</u>	<u>0</u>
Fund balance - end of year	<u>\$ 1,368,708</u>	<u>\$ 1,318,722</u>	<u>\$ 1,532,598</u>	<u>\$ 213,876</u>

Charter Township of Bangor  
Required Supplemental Information  
Budgetary Comparison Schedule - Sanitary Sewer Fund  
For the Year Ended December 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 11,159	\$ 11,159	\$ 11,159	\$ 0
Charges for services	90,800	222,487	229,837	7,350
Interest	25,000	32,564	51,197	18,633
Total revenues	126,959	266,210	292,193	25,983
<u>Expenditures</u>				
Other	120,450	122,050	4,083	117,967
Payment to Enterprise Fund for debt service	300,000	298,400	259,093	39,307
Total expenditures	420,450	420,450	263,176	157,274
Excess (deficiency) of revenues over expenditures	(293,491)	(154,240)	29,017	183,257
Fund balance - beginning of year	1,061,702	1,061,702	1,061,702	0
Fund balance - end of year	<u>\$ 768,211</u>	<u>\$ 907,462</u>	<u>\$ 1,090,719</u>	<u>\$ 183,257</u>

Charter Township of Bangor  
Required Supplemental Information  
Budgetary Comparison Schedule - Trash Collection Fund  
For the Year Ended December 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 682,844	\$ 682,911	\$ 682,911	\$ 0
Charges for services	2,000	2,000	1,415	(585)
Interest	4,000	7,374	11,705	4,331
Total revenues	<u>688,844</u>	<u>692,285</u>	<u>696,031</u>	<u>3,746</u>
<u>Expenditures</u>				
Sanitation	<u>688,844</u>	<u>692,285</u>	<u>683,333</u>	<u>8,952</u>
Total expenditures	<u>688,844</u>	<u>692,285</u>	<u>683,333</u>	<u>8,952</u>
Excess of revenues over expenditures	0	0	12,698	12,698
Fund balance - beginning of year	<u>98,416</u>	<u>98,416</u>	<u>98,416</u>	<u>0</u>
Fund balance - end of year	<u>\$ 98,416</u>	<u>\$ 98,416</u>	<u>\$ 111,114</u>	<u>\$ 12,698</u>

Charter Township of Bangor  
 Required Supplemental Information  
 Budgetary Comparison Schedule - Bangor Township Relief Drain and Branches Drainage  
 District  
For the Year Ended December 31, 2006

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 4,400	\$ 5,807	\$ 6,992	\$ 1,185
Total revenues	4,400	5,807	6,992	1,185
<u>Expenditures</u>				
Other	4,400	5,807	579	5,228
Total expenditures	4,400	5,807	579	5,228
Excess of revenues over expenditures	0	0	6,413	6,413
Fund balance - beginning of year	77,504	77,504	77,504	0
Fund balance - end of year	<u>\$ 77,504</u>	<u>\$ 77,504</u>	<u>\$ 83,917</u>	<u>\$ 6,413</u>

Charter Township of Bangor  
 Other Supplemental Information  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
December 31, 2006

	<u>Special Revenue Funds</u>		
	<u>Drain Relief Operating</u>	<u>Inspection</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and investments	<u>\$ 13,246</u>	<u>\$ 368,892</u>	<u>\$ 382,138</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>Liabilities</u>			
Accounts payable	\$ 0	\$ 2,792	\$ 2,792
Due to governmental funds	<u>0</u>	<u>880</u>	<u>880</u>
Total liabilities	0	3,672	3,672
<u>Fund Balance</u>			
Reserved	<u>13,246</u>	<u>365,220</u>	<u>378,466</u>
Total liabilities and fund balance	<u>\$ 13,246</u>	<u>\$ 368,892</u>	<u>\$ 382,138</u>

Charter Township of Bangor  
 Other Supplemental Information  
 Combining Statement of Revenues, Expenditures and Changes  
 in Fund Balance - Nonmajor Governmental Funds  
For the Year Ended December 31, 2006

	<u>Special Revenue Funds</u>		
	<u>Drain Relief Operating</u>	<u>Inspection</u>	<u>Totals</u>
<u>Revenues</u>			
Taxes	\$ 212,498	\$ 0	\$ 212,498
Interest	437	13,174	13,611
Other	0	280	280
Licenses and permits	0	260,303	260,303
	<u>212,935</u>	<u>273,757</u>	<u>486,692</u>
Total revenues			
<u>Expenditures</u>			
Protective inspections	0	163,884	163,884
Other	217,875	0	217,875
	<u>217,875</u>	<u>163,884</u>	<u>381,759</u>
Total expenditures			
Excess of revenues over (under) expenditures	(4,940)	109,873	104,933
Fund balance - beginning of year	<u>18,186</u>	<u>255,347</u>	<u>273,533</u>
Fund balance - end of year	<u>\$ 13,246</u>	<u>\$ 365,220</u>	<u>\$ 378,466</u>



Charter Township of Bangor  
Other Supplemental Information  
Proprietary Sewer Fund  
Combining Statement of Net Assets  
December 31, 2006

	<u>DWS</u>	<u>Township</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 992,276	\$ 0	\$ 992,276
Accounts receivable - net	115,045	0	115,045
Interest receivable	9,102	0	9,102
Prepaid expenses	8,277	0	8,277
Total current assets	<u>1,124,700</u>	<u>0</u>	<u>1,124,700</u>
 Capital assets - at cost	17,816,608	208,589	18,025,197
Less allowance for depreciation	<u>(8,595,801)</u>	<u>(5,649)</u>	<u>(8,601,450)</u>
Net capital assets	<u>9,220,807</u>	<u>202,940</u>	<u>9,423,747</u>
 Total assets	<u>10,345,507</u>	<u>202,940</u>	<u>10,548,447</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	7,551	0	7,551
Accrued payroll	544	0	544
Accrued interest payable	11,583	0	11,583
Bonds payable	640,592	0	640,592
Total current liabilities	<u>660,270</u>	<u>0</u>	<u>660,270</u>
 Long-term liabilities:			
Bonds payable	640,592	0	640,592
Total long-term liabilities	<u>640,592</u>	<u>0</u>	<u>640,592</u>
 Total liabilities	<u>1,300,862</u>	<u>0</u>	<u>1,300,862</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	7,928,040	202,940	8,130,980
Unrestricted	<u>1,116,605</u>	<u>0</u>	<u>1,116,605</u>
 Total net assets	<u>\$ 9,044,645</u>	<u>\$ 202,940</u>	<u>\$ 9,247,585</u>

Charter Township of Bangor  
 Other Supplemental Information  
 Combining Statement of Revenues, Expenditures and Changes  
 in Net Assets - Proprietary Sewer Fund  
For the Year Ended December 31, 2006

	<u>DWS</u>	<u>Township</u>	<u>Total</u>
Gross service charges	\$ 1,617,853	\$ 0	\$ 1,617,853
Operating revenues:			
Charges, fees, etc.	<u>85,705</u>	<u>0</u>	<u>85,705</u>
Total operating revenues	<u>85,705</u>	<u>0</u>	<u>85,705</u>
Operating expenses:			
Personal services	134,444	0	134,444
Utilities	8,243	0	8,243
Regional charges	1,073,518	0	1,073,518
Operation and maintenance	25,810	0	25,810
Administration	42,197	0	42,197
Fiscal and other charges	4,948	0	4,948
Depreciation	<u>359,200</u>	<u>5,214</u>	<u>364,414</u>
Total operating expenses	<u>1,648,360</u>	<u>5,214</u>	<u>1,653,574</u>
Operating income (loss)	55,198	(5,214)	49,984
Nonoperating revenues (expenses):			
Interest income	53,003	0	53,003
Interest expense	(82,289)	0	(82,289)
Payment by local unit	<u>259,093</u>	<u>0</u>	<u>259,093</u>
Change in net assets	285,005	(5,214)	279,791
Net assets - beginning of year	<u>8,759,640</u>	<u>208,154</u>	<u>8,967,794</u>
Net assets - end of year	<u><u>\$ 9,044,645</u></u>	<u><u>\$ 202,940</u></u>	<u><u>\$ 9,247,585</u></u>

Charter Township of Bangor  
 Other Supplemental Information  
 Combining Statement of Cash Flows  
 Proprietary Sewer Fund  
For the Year Ended December 31, 2006

	<u>DWS</u>	<u>Township</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,610,866	\$ 0	\$1,610,866
Cash payments to suppliers for goods and services	(1,165,471)	0	(1,165,471)
Cash payments to employees for services	(134,448)	0	(134,448)
Other operating income	<u>85,705</u>	<u>0</u>	<u>85,705</u>
Net cash provided by operating activities	<u>396,652</u>	<u>0</u>	<u>396,652</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(640,592)	0	(640,592)
Interest paid on long-term debt	(88,081)	0	(88,081)
Payments from (to) local units	259,093	0	259,093
Acquisition and construction of capital assets	<u>(20,190)</u>	<u>0</u>	<u>(20,190)</u>
Net cash (used) by capital and related financing activities	<u>(489,770)</u>	<u>0</u>	<u>(489,770)</u>
Cash flows from investing activities:			
Interest and investment earnings	<u>50,012</u>	<u>0</u>	<u>50,012</u>
Net (decrease) in cash and cash equivalents	(43,106)	0	(43,106)
Cash and cash equivalents, beginning of year	<u>1,035,382</u>	<u>0</u>	<u>1,035,382</u>
Cash and cash equivalents, end of year	<u><u>\$ 992,276</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 992,276</u></u>



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May 22, 2007

Township Board  
Charter Township of Bangor  
Bay County, Michigan

In planning and performing our audit of the financial statements of the Charter Township of Bangor as of and for the year ended December 31, 2006, in accordance with U.S. generally accepted auditing standards, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies. However as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

As part of our consideration of the internal control over financial reporting, we as auditors are not allowed to be considered to be part of the Township's internal controls. In taking this required position, we must consider whether the Township has the ability, on its own, to monitor and report financial activity in accordance with our professional standards without auditor intervention.

The Township uses accounting software generated financial statements as a management tool to monitor the financial status of the Township, prepare budgets and to compare current financial trends to historical information. Due to the complexity of the required government-wide financial statements, proprietary fund reporting and related note disclosures, the Township does not demonstrate the expertise to properly report in accordance with U.S. generally accepted accounting principles without auditor intervention.

This communication is intended solely for the information and use of management, and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

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